



INTEREST

California law requires that interest be charged on unpaid taxes beginning from the original due date of the return until the date of payment. Interest is charged on penalties as provided by the law (Revenue and Taxation Code Sections 19101 and 19106).

PENALTIES

California law authorizes the Franchise Tax Board to impose penalties for failure to meet the deadlines for filing returns, paying taxes, or furnishing information. The most common penalties are explained below.

UNDERPAYMENT OF ESTIMATED TAX: The penalty is charged on the amount underpaid from the date the installment was due to the date the installment was paid or the due date of the return, whichever is earlier. See penalty rates below (Revenue and Taxation Code Section 19136).

FAILURE TO PAY THE TAX SHOWN ON A RETURN BY THE DUE DATE: The penalty is 5% of the unpaid tax plus 0.5% of the unpaid tax per month or part of a month the tax remains unpaid. The maximum penalty is 25% of the unpaid tax. The penalty is charged even if there is an extension of time to file the return (Revenue and Taxation Code Section 19132).

FAILURE TO FILE A RETURN BY THE DUE DATE: The penalty is 5% of the tax due, after applying payments and credits made on or before the due date, for each month or part of a month the return is late, up to 25%. For a return that shows a balance due, the minimum penalty for filing a return more than 60 days late is \$100 or 100% of the tax due after applying timely payments and credits, whichever is less (Revenue and Taxation Code Section 19131).

FAILURE TO FILE A RETURN UPON NOTICE AND DEMAND OR TO FURNISH INFORMATION: The penalty is 25% of the total tax before credit for timely payments (Revenue and Taxation Code Section 19133).

SUBMITTING FALSE EMPLOYEE WITHHOLDING ALLOWANCE CERTIFICATE (W-4 or DE-4): The penalty is \$500 for each false certificate (Revenue and Taxation Code Section 19176).

FAILURE TO REPORT AMOUNTS PAID AS COMPENSATION FOR PERSONAL SERVICES: The penalty is the maximum personal income tax rate multiplied by the unreported compensation paid for personal services. The amount of unreported compensation is based on information provided by the Employment Development Department (Revenue and Taxation Code Section 19175).

ACCURACY RELATED PENALTIES: For tax years beginning on or after January 1, 1990, the penalty is 20% of the total tax before credits. For tax years beginning before January 1, 1990, the penalty is 5% of the total tax before credits. If the return was due before January 1, 1989, the penalty is increased by an amount equal to 50% of the interest on the total tax, such interest being computed from the original due date of the return to the date of the Notice of Proposed Assessment (Revenue and Taxation Code Section 19164 and former Section 18684).

PENALTY FOR A DISHONORED PAYMENT: If the amount of the dishonored payment is less than \$750, the penalty is \$15 or the amount of the dishonored payment, whichever is less. If the amount of the dishonored payment is \$750 or more, the penalty is 2% of the amount of the dishonored payment (Revenue and Taxation Code Section 19134).

COLLECTION FEES

California law provides that the taxpayer may be charged a filing enforcement fee, a collection fee, a lien fee, and fees to cover the cost of seizing and selling property. These fees are listed under **COLLECT FEES** on the bill (Revenue and Taxation Code Sections 19254, 19209, 19233, and 19234).

INTEREST RATES AND PENALTY RATES

The rates for computing interest on underpayments and overpayments and for penalties for underpayment of estimated tax are:

January 1, 1987 – September 30, 1987	8% a year*
October 1, 1987 – December 31, 1987	10% a year*
January 1, 1988 – March 31, 1988	11% a year*
April 1, 1988 – September 30, 1988	10% a year*
October 1, 1988 – June 30, 1989	11% a year*
July 1, 1989 – December 31, 1989	12% a year*
January 1, 1990 – June 30, 1991	11% a year*
July 1, 1991 – June 30, 1992	10% a year*
July 1, 1992 – December 31, 1992	9% a year*
January 1, 1993 – June 30, 1993	8% a year*
July 1, 1993 – December 31, 1994	7% a year*
January 1, 1995 – June 30, 1995	8% a year*
July 1, 1995 – December 31, 1998	9% a year*
January 1, 1999 – June 30, 1999	8% a year*
July 1, 1999 – December 31, 1999	7% a year*
January 1, 2000 and later	8% a year*

*When used for the computation of penalty for underpayment of estimated tax, the rate is **NOT** compounded.



**STATE OF CALIFORNIA
FRANCHISE TAX BOARD**

TAXPAYERS' BILL OF RIGHTS

The California Taxpayers' Bill of Rights Act ensures that the rights, privacy, and property of California taxpayers are adequately protected during the process of assessing and collecting taxes.

If we take your property and you believe our action is improper, you have the right to a hearing. During the hearing, you may provide us information to change or stop our levy or to stop the sale of your property.

If you believe our action in filing a lien was in error, write to us and tell us why. If we find you are correct, we will send a "Notice of Error" to the credit reporting companies in the county where we filed the lien.

If we terminate your installment payment agreement, we must notify you in writing 30 days prior to the termination.

If we seize your bank account in error, we can reimburse you for bank charges caused by our error. You must file your claim within 90 days of the date we filed the levy.

We may contact third parties to determine or collect your tax liabilities. Subject to privacy laws and your rights as a taxpayer, you may obtain a list of those contacts. For more information, please contact our Disclosure Office, PO Box 1468, Sacramento CA 95812-1468.

If you have any questions concerning our collection process or procedures, please call the phone number listed below under GENERAL ASSISTANCE.

TAXPAYER ADVOCATE ASSISTANCE

We have a Taxpayer Advocate who reviews those cases where taxpayers have been unable to resolve their problems with our department through normal channels. You can contact the Advocate at:

Address: Taxpayer Advocate Bureau
PO Box 157
Rancho Cordova CA 95741-0157
FAX: (916) 845-6614
Email: www.ftb.ca.gov/Taxpayer_Advocate

PROVISIONS OF LAW FOR COLLECTION ACTIONS

Wage garnishment is governed by the California Code of Civil Procedure Sections 706.020 through 706.154. The seizure and sale of real and personal property is governed by the California Code of Civil Procedure Sections 700.010 through 704.995, and the California Revenue and Taxation Code Sections 18670 and 18671.

ALTERNATIVES TO COLLECTION ACTIONS

You may prevent these actions by agreeing with the Franchise Tax Board to an installment payment arrangement or Offer in Compromise, or by establishing that your financial hardship prevents you from paying this liability.

GENERAL ASSISTANCE

Telephone assistance is available from 7 a.m. until 8 p.m. Monday through Friday and from 7 a.m. until 4 p.m. on Saturdays. From the first working day in January through the due date for filing a tax return (generally April 15), service is available from 6 a.m. until midnight, Monday through Friday and from 7 a.m. until 4 p.m. on Saturdays and holidays. All times listed are Pacific Time.

From within the United States, call (800) 852-5711
From outside the United States, call (not toll-free) (916) 845-6500
Website at: www.ftb.ca.gov

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments call: from voice phone (800) 735-2922, or from TTY/TDD (800) 822-6268.